

The follow-up of the expenditure relating to the reduction of poverty

(within the framework of initiative PPTE)

Republic of Guinea

Evaluation of the capacities of follow-up of the execution of the expenditure and action plan

INTRODUCTION

A joint mission of the World Bank and International Monetary International Monetary Funds went to Guinea with an aim of evaluating, with the authorities guinéennes, the capacities of follow-up of the execution of the expenditure related to the reduction of poverty, and of preparing an action plan in order to improve this capacity. This mission proceeded from the 8 to March 12, 2004. It was composed, for the World Bank, of Mr. Ezzeddine Larbi, principal economist of Guinea, Mr. Robert Cauneau, finance public specialist and Mr. Issa Sanogo, economist, like, for the IMF, of Mrs. Gisele Suire, specialist in finance public.

This mission aimed to update the report/ratio and the action plan established in December 2001 relating to the capacity of the administration guinéenne to manage expenditure PPTE and, more generally, the whole of the public expenditure. The work of the mission had three aims:

- I. To evaluate the current capacity of the government to follow the whole of the public expenditure, including the expenditure taking part in the fight against poverty;
- II. To evaluate the risk associated with the installation with the expenditure for the fight against poverty in the context of the receipts coming from the reduction from the debt;
- III. To indicate which financial backers and which technical aid should be provided in order to improve the systems of management of the expenditure of fight against poverty and other public expenditure.

The developments hereafter have the results of the discussions with the various persons in charge for the Ministry for the Economy and Finances as well as various bodies of control.

Degree of devolution and decentralization in the process of the expenditure

Guinea is a country of centralizing tradition. The central Government nevertheless is decentralized in 7 administrative areas (the special zone of Conakry cut out in 5 Communes), 33 Prefectures corresponding to 33 urban communes, and 333 Sub-prefectures having each one the Rural Community of Development (CRD).

The Government started in 1998 an evolution going in the direction of the increase in the expenditure carried out by the decentralized units. Thus, with regard to the expenditure intended to fight against poverty, 66 % of the forecasts relate to expenditure carried out at the decentralized level. The share of the additional expenditure relating to the fight against poverty was increased on the level of the areas. It is estimated at 50 % of the total additional expenditure. A great number of priority ministries were identified to be decentralized. In these ministries, which are 10, the minister is directing deputy. They are the ministries for justice, agriculture, sins and the aquiculture, public works and transport, town planning and the habitat, the public health, the social affairs and female promotion, primary education and teaching pre-academic, technical teaching and the vocational training and the higher education.

Insofar as the expenditure carried out at the decentralized level represents a significant amount, the object of this study will thus not be limited to the level of the police headquarters. It will also cover the expenditure carried out at the decentralized level.

Section 1. The report

I Development of the budget

Indicator 1: Field of execution of the budget or the budgetary report/ratio

The budget of the State is presented in a single document. But its unit is only apparent. Indeed, whereas the operational budget is worked out by the DNB, the preparation of the budget of investment comes under the responsibility of the National Management of the Debt and the Public Investments (DNDIP). Weak collaboration between these two directions during the budgetary phase of preparation prevents from arriving to a real budgetary unit.

The general budget of the State contains the budget of the police headquarters, like that of the decentralized services of the State, which they are in Conakry or in the areas. It does not cover however that partially the field of the operations of the public administrations such as this one is defined in the handbook of finance public statistics (MSFP) of the IMF. Indeed, if

the operations of the publicly-owned establishments related to administration are well recorded, it is not the same for the decentralized communities whose nomenclature is not harmonized with that of the State and of which the data budgetary, envisaged and carried out, cannot be consolidated with those of the State.

However, the weight of the budgets of the local communities compared to that of the State is weak (approximately 1.5 %). One can thus consider that the budgetary data correspond to the definition of the sector of the public administrations in a proportion from at least 95% and it is suggested noting this indicator with letter A.

Indicator 2: Extent of the expenditure financed by extrabudgétaires sources being the subject of unsatisfactory declarations

The preceding evaluation had stressed the existence of a great number of accounts of treasury open in the primary banks. Estimated at approximately 500, these accounts were open in the name of the extravagant ministries and had the main aim of recording the cashings made under royalties for rendered services. They were also used within the framework of and the some control impressed accounts of receipts.

The whole of these accounts, of which a significant number related to impressed accounts, was removed during the year 2003. The corresponding operations from now on are followed by the intermediary of the PCT, on accounts of treasury attached to the single account of the treasure at the Central Bank. From now on only remain in the trade banks the accounts of treasury open within the framework of the projects on external financing. The suppression of these accounts will be considered later on, with the agreement of the backers concerned.

Being the affected funds which do not forward by the budget of the State, the National Management of Treasury (DNT) currently carries out their census and the evaluation of the amounts concerned. These operations concern, inter alia, the ministry for tourism, the ministry for sins, the office of Radio and Télévision, the hospital and the port of Kamsar. The texts governing these derogatory modes of management will be studied and possibly repealed. The DNT estimates that the amounts concerned will be probably lower than 3% of the total expenditure of the budget. However, insofar as the census is not completed and where there is a doubt as for the amount of the sums in question, it is suggested noting this indicator with the letter B.

Indicator 3: Reliability of the budget like guides execution

The total amount of the budgetary execution (payments) compared to the forecast remains very partial and varies one year on the other in a significant way. Thus, it was 66.5% in 2001, 92.5% in 2002 and 69.8% in 2003.

With regard to the operating costs except personnel costs, their realization was 62% in 2001, 100% in 2002 and 72% in 2003. As for the capital expenditures, their rate of realization is relatively weak. Indeed, they were carried out to a total value of 24.5 in 2001, 62.4% in 2002 and 37.4% in 2003.

These variations can be explained partly by the overvaluation of certain stations of receipts, which cannot thus cover the administrative expenditures completely. Thus, the achievements with the title of the taxation of the goods and services, which represent the largest station of receipts, were respectively 88.4% in 2001, 96.6% in 2002 and 84.1% in 2003. In the same way, the receipts with the title of the taxes on the foreign trade were 92.6% in 2001, 95.2% in 2002 and 87.6% in 2003. As for the total revenues of the budget, they were carried out to a total value of 55% in 2001, 56.5% in 2002 and 58.5% in 2003. However, beyond the approximate character of the budget estimate, the importance of the variations met must certainly be analyzed, in particular for the capital expenditures, like the consequence of a very low capacity for absorption on behalf of the extravagant ministries.

It is finally advisable to specify that the government proceeds in the course of year to many credit transfers, which involves technical revisions of the finance law. This practice comes to reinforce the doubt as for the reliability of the finance law like guides budgetary execution.

Insofar as there are variations of more than 15% of the total expenditure during at least two years, this indicator should not be regarded as satisfied, and it is proposed to note it with the letter C.

Indicator 4: Inclusion of the financing of the backers

Generally, the funds coming from the financial backers are incorporated in the budget. On the other hand the reports/ratios of budgetary execution do not take into account the whole of the external financings. Indeed, information on the external financings remains difficult to apprehend. The fact that the economy and Minister for Finance is not the only person in charge for the financial management of the assistance and that several ministers intervene in the mobilization of the external financings, amplifies the difficulty of follow-up of this sector.

During the year a 2000 national Direction of the debt and public investments were created, within the Ministry for finances and the economy, by regrouping of the division of the debt, the DNB and the national Management of the public investments of the old ministry for the Plan and the Co-operation. A decree of 2002 confers to the DNDIP a role of foreground in the process of programming of the public investments and management of the external financings.

However the decree remains rather vague on the precise contents of these missions and the procedures require to be better defined. The DNDIP prepares the triennial PIP on the basis of ceiling of expenditure fixed by the macroeconomic framework. Projections over three years

of the PIP of the previous year are brought up to date in order to take account of the recent evolutions. However the PIP is not executory legal because it was not submitted to the Parliament since 1997.

It should be noted that the ministry for finances is not only A to sign conventions of financing, this signature was deputy in certain cases with the technical ministries of supervision of the projects and as regards the European Development Funds, the Foreign Minister is directing deputy. Finally the requests for withdrawals of funds addressed to the backers do not forward all by the DNPIP. This one is thus confronted with difficulties of identification of the financings, of their follow-up as well as theirs accounting.

The satisfaction of this indicator is subordinated to the inclusion of the financing of the backers in the budget of the State and the budgetary reports/ratios. Insofar as, in Guinea, the funds coming from the financial backers are built-in in the budget, but where the amounts carried out are known little about, this indicator cannot be regarded as filled. It is thus suggested noting it with the letter B.

Indicator 5: Classification

A new budgetary nomenclature was installation at January 1, 2000. It allows a classification by function and sub-function, ministry, administrative entity recipient of the appropriations, program or project, nature of financing and economic nature. This nomenclature was conceived by ensuring the relation between its economic part and the nomenclature of the chart of accounts of the State.

The adopted functional classification, which is based on 9 functions and 66 pennies functions, is however not in conformity with the last classification of the functions of the public administrations (COFOG) revised by OECD, published by the United Nations in 1999 and included in the edition 2001 of the handbook of statistics of the IMF.

Under the only reserve of the preceding paragraph, this indicator can thus be regarded as satisfied. And it can be noted with the letter B.

Indicator 6: Census of the expenditure of reduction of poverty

The budgetary headings intended to follow the expenditure permitted by the reduction of the debt were marked by a code of specific financing. With regard to, generally, the expenditure relating to the fight against poverty, the Government considers that the whole of the expenditure of the priority ministries are included in this category. With this category some expenditure of the nonpriority sectors was added which contribute to the management of the expenditure carried out on receipts PPTE. However, there is not specific identifier and it is not possible to extract from the information processing system, in an automated way, information relating to the forecast and the budgetary execution of these categories of expenditure. It should be noted that the satisfaction of this indicator seems particularly easy

to obtain, insofar as it would be enough to mark the budgetary headings concerned and to define a data-processing request making it possible to extract the information contained in these lines.

This indicator currently is thus not satisfied and it is suggested noting it with the letter B.

Indicator 7: Integration of the medium-term forecasts

Various documents take into account multiannual programming and forecasts. The public investment plan establishes forecasts over 3 years, but weak coordination between the structures intervening in this preparation, the DNDIP/MEF and DNPIP/Plan weakens coherence between the triennial investment plan and the annual budget. In addition the development process of this program leaves only little place to a satisfactory evaluation of the impact of the projects on the reduction of poverty. The project profile joined to the circular of framing for the preparation of the finance law 2004 which is sufficiently detailed on certain points, does not give an indication on the bond which could be established between the components and activities of the projects and the top priority of the Document of strategy of reduction of poverty (DSRP).

The framework of medium-term expenditure (CDMT) was introduced in Guinea following the review of the public expenditure of 1996-1997, for the sectors defined as priority, Agriculture, Pêche, Santé, Enseignement. Currently the CDMT relates to the 10 priority sectors listed higher. However the bonds between the budget of average adoptee each year in the finance law and the CDMT do not appear clearly. If there are multiannual forecasts in the CDMT, the documents annexed to the budgetary circular of preparation of the budget do not refer to the achievements of the former years. The document which is presented for discussions at the government also presents projections over 3 years for titles 4 and 6 of the budget and by categories of expenditure for title 3, but this document is not transmitted to the French National Assembly during the examination of the bill of finances.

The Document of Strategy of Reduction of poverty also fits in a multiannual prospect. A preliminary review of the implementation and impacts of the strategy are in hand. First observations, it results that the bond between the budget policy and the reduction of poverty is not obvious. This would be explained by the optimistic figuring of the DSRP which does not make it possible to take into account the medium-term forecasts of the actions envisaged and by the degradation of the macro-economic framework since the beginning of the implementation of the DSRP.

There thus exists in Guinea several forms of forecasts of medium-term expenditure of the future exercises. However, insofar as these forecasts are not availability of the French National Assembly during the examination of the bill of finances and where the bond with the budget of means is very thin, one must consider that they are not integrated in the development of the budget. It is thus proposed to note this indicator with the letter B.

II Implementation of the budget

Indicator 8: Sign problems in the implementation of the budget: arrears

The evaluation carried out in 2001 had been the occasion to note that remarkable progress had been carried out in this field. The government envisaged at the time, for the year 2002, a reduction of interior arrears of almost 32 billion FGN, mainly made up of late before checked.

The present evaluation however met a largely degraded situation. Indeed, the amount of the interior arrears is evaluated to 55 billion FGN on the level of the Treasury and to 15 billion FGN on the level the central bank. For these amounts, it is necessary to add an amount of 20 billion corresponding to expenditure noncommitted, but carried out. With regard to the arrears on the foreign debt, they rose to 34 billion FGN at the date of December 31, 2003.

Guinea has known for several months of very strong tensions of treasury. One of the evoked reasons is based on the problems of safety in the border area of the south of the country. Beyond this reason, it was noted that the government however very largely used the procedure known as of "letters of payment", which consists in carrying out an expenditure characterized like urgent or exceptional, without preliminary engagement, and thus without checking with the precondition of the existence of budget allocation. The amount of this category of expenditure would have risen to approximately 100 billion FGN in 2003, of which those which were identified by the chain of the expenditure and which accounts for approximately 6% of the budget 2003. In the same way the dashboard of the finance public at December 31, 2003 fact of appearing rising expenditure to be regularized of 64, 705 billion FGN.

This situation results in to generate significant arrears on the level of the priority sectors and thus to limit the efforts of the government in its actions of fight against poverty. Generally, it results from this a loss from confidence of the suppliers in the solvency of the State and thus, not only one raising of prices practised, but also the requirement of the payment before carrying out the service.

The current situation particularly degraded with respect to postponed of the State, whose current amount is largely higher than 5% of the total expenditure, encourages to suggest that this indicator is affected letter C.

Indicator 9: System effectiveness of internal audit

In spite of the various actions from reinforcement undertaken these last years with the General Inspection of Finances and the National Management of Financial Control (DNCF), the internal audit, remains still largely perfectible. The control of the engagement of the expenditure is entrusted by decree 97/062/PRG/SGG of 5 May 1997, bearing attributions and organization of the Ministry for the Economy and Finances, to the division of the control of engagements of the DNB. This structure, which was set up thereafter in National Direction, stuck since to finalize the lawful framework of its intervention.

To this end, and to also answer the provision relating to devolution of the scheduling of the expenditure (article 5 of the law of finances for the year 2003), several decrees on January 30, 2004, were signed by the Minister for the Economy and Finances. These decrees fix attributions and the organization of the direction, of the supervising authorities placed close to the deputy directing ministers, of the service of local financial control. A circular was elaborate laying down the methods of the observation and the control of the made service.

These improvements of the institutional framework of the DNCF should not however mask the fact that this direction knows many difficulties to exert fully its tasks of control a priori of the expenditure. Indeed, it seems that it is sometimes brought to undergo the decisions of expenditure which emanates from the DNB, some of them lying within the scope of going beyond of appropriations. This situation was confirmed by the Room of the Accounts of the Supreme Court which could raise of many cases of goings beyond of appropriations which, in spite of its injunctions, were not the subject of regularization.

Being the general Inspection of finances (IGF), one can observe a clear improvement of the working conditions during last years. From the point of view of the exercise of the missions, the working method improved. An annual program of work is worked out, the terms of reference of the missions are written in a more detailed way. During the year 2003, the general Inspection carried out controls on the execution of the decentralized appropriations of the priority ministries. Among the raised reports, it is necessary to note, the absence of tax registration of certain suppliers, the surfacturation compared to the standard average price schedule published by the DNCF, the practice of the fractionation of the expenditure to avoid the markets, the payment prior to delivery and the creation of not justified impressed accounts. The report/ratio of the reports carried out was communicated to the Prime Minister like with the interested ministers. However, the conclusions of this report were not followed yet effects.

The IGF has text defining yet neither its organization nor its attributions. The tax inspectors do not form part of a particular body nor do not profit from a specific statute.

The preceding evaluation had been the occasion to recommend to define for these two bodies of audit internal a general policy of control. If some actions could be carried out in a joint way, like that were the case in 2003 for the evaluation of the quality of the control of the made service and for the control of the payment of the pensions, the definition of an overall

policy was the object only one beginning of reflexion. It did not lead yet on very precise orientations.

The efforts of improvement as of the these two supervising authorities must however, being replaced in the particular context which prevailed in 2003: installation late of the budget allocation because of the delay taken in the adoption of the exceptional finance law 2003 and practical of expenditure, which weakens the range of the internal audit.

If the internal system of audit knew notable improvements during recent years, it must however still be regarded as partial. It is thus proposed to note this indicator with the letter B.

It should be noted that following the change of government intervened last February, a ministry for control economic and financial was created. This ministry existed in 1995 and then included/understood the general Inspection of State, the national Management of economic control and the regulation, the National Management of financial control. At that time this ministry had not really functioned, only the general Inspection of State (which before the last rehandling depended on the Secretariat-general to the Presidency) had been installation. At the time of the passage of the mission no decision had been made concerning a possible change in the positioning of financial control.

Indicator 10: Investigations of follow-up

The investigations of follow-up of the expenditure, which would be useful, are not carried out in a systematic way.

So far, only the commission of fight against corruption had undertaken audits comprising of controls of the effectivity of the public expenditure. However, neither the ministries, nor no other entity organizes this type of investigation, in complement of the internal audit. The situation should however develop, insofar as the DNDIP of the Ministry for Finances set up in April 2003 a service study-evaluation of the projects. Using the data base of the projects of the direction, this one will start soon of the evaluations of the patrimonial situation of the projects. It will thus be brought to control the effectivity of the expenditure.

This type of action revêt a particular importance insofar as the Review of the Public expenditure, which was carried out in October 2003, made it possible to note that 16% of the nonwage expenditure of operation reached the level of the schools and 30% the level of the centers of care. The investigation related to 200 schools and centers of care in four of the eight administrative areas of Guinea.

In 2003 the general Inspection of finances and the Management of financial control carried out two joint missions on the reality of the service made, in particular on the payment of the pensions (28 000 pensioners), investigation which allowed a saving in approximately 1 billion FGN for the year. In 2004 an investigation is envisaged into the contractual personnel of national education.

This indicator must thus be regarded as nonsatisfied and be noted with the letter C.

Indicator 11: Quality of budgetary information: the bringing together of the budgetary and banking data

The bringing together of the statements of the account of the treasure at the central bank with the journals is carried out in a regular way. The monthly dashboard reveals the sums corresponding as well to the flows awaited the awaited appropriations. This exercise was made easier by the suppression of the accounts known as "satellite" which were open in the trade banks in the name of certain ministries.

This indicator must thus be regarded as satisfied and noted with letter A.

III. Budgetary reports/ratios

Indicator 12: Regularity of the internal budgetary reports/ratios

The ministry for Finances has since January 2000 of a new information processing system for the follow-up of the chain the public expenditure. This one is used by the following administrations: the DNB, Administrators of credit of the various ministries, the DNCF, the DNT, the PCT and the National Management of the Public Markets (DNMP).

Being budgetary information emanating from the Treasury, the DNT establishes before the 10 of each month, a dashboard which presents, inter alia, the situation of the budgetary execution. A data-processing interface between the DNT and the chain of the expenditure would have been installation to facilitate this exercise, but it is not used yet and, so the system of management cannot be regarded as integrated.

The administrators of appropriations move to come to obtain the information concerning the proposals for an engagement of the expenditure in the room of seizure of the DNB. Insofar as this information, as those which emanate from the DNB and by the DNCF are seized in briefs times, the reports/ratios on the budgetary execution can be published within two week following the end of the reference period.

For these reasons, them this indicator can be regarded as satisfied. It is thus suggested noting it with the letter B.

Indicator 13: The follow-up of the expenditure of reduction of poverty

As it was specified in the comment which accompanies indicator 6, the budgetary headings concerned with the expenditure of fight against poverty were identified, but, insofar as they were not affected of a specific identifier, it is not possible to carry out of it an extraction of the information system.

The evaluation of indicator 13 makes it possible to note an identical situation. This one is based on the question of knowing if reports are published in the course of exercise in order to ensure the follow-up of the budgetary expenditure by function. The answer to this question is negative. Indeed, although the budgetary nomenclature contains a classification by functions and sub-functions, the information system was not parameterized to allow extractions on this criterion.

This indicator is thus not satisfied. However, insofar as the condition could be met thanks to a simple data-processing parameter setting, it is proposed to note this indicator with the letter B.

Indicator 14: The recording of the transactions of end of financial year

In order to allow the close of the financial years, the texts envisage date-stop. The DNT however tests many difficulties to make them respect: at the end of November for the emission of the commitments to incur expenditure and at the end of February of the following year (complementary day) for schedulings, which it is of mandatements real or mandatements of regularization of expenditure paid according to derogatory procedures'.

The complementary day fixed by the payment on accountancy is three months. This prolongation of last management is not however sufficient with the DNT to ensure the transactions of end of exercise. The principal evoked reason refers to the number and the amount significant of expenditure carried out in the form of letters of payment, for which the regularization is slow, even impossible to carry out. A first obstacle consists of the weak motivation of the services of the DNB to mandatement emit the titles of regularization of this expenditure carried out without engagement nor preconditions. The second obstacle consists in identifying the sufficient budget allocation to charge corresponding engagements. Indeed, these appropriations are sometimes non-existent and the overall assets of the appropriations available, either on precise budgetary headings, or the title of the common costs, does not allow their regularization. It follows of the goings beyond of appropriations. These dysfunctions are the subject of observations of the Room of the Accounts which are not followed effects on behalf of the government.

Thus, the administrative account of the DNB and the management account consolidated of the DNT are generally not established before September of following management. It results from it that this indicator should be noted with the letter C.

Indicator 15: The punctuality of checked financial information

The provisions contained in the texts provide that the production of the Laws of payment is so much the result of the daily behaviour (A) of the accountancy of the director (issues of titles for the receipts, emission of engagements and mandatements for the expenditure and production of the administrative account at the end of the exercise) that (b) of the accountancy of the accountant public (cashings, payments and production of the management account at the end of the exercise). These two documents, accompanied by a bill of payment, must be transmitted by the ministry for finances with the Room of the Accounts of the Supreme Court before June 30 of the following year, in order to allow him, after examination, to establish the conformity of the accounts of the director with those of the public accountant.

In practice, until a recent past, the accounts of end of exercise were not presented, if not with several years of delay. Until 1996, the bill of payment was not drawn up. Since this date, significant progress was made in this field. The accounts of 1998 were presented in 2001 and

one correction of 1999, 2000 and 2001 was carried out in 2002. The final accounts of 2002, supported bill of payment, were presented at the Room Accounts in September 2003. The magistrates complained about little serviceable time to inform these documents before the session of autumn of the Parliament. But the specific objective which consisted in making it possible the Parliament to have the accounts of the exercise n-1 at the time of the study of the bill of finances of n+1 was achieved.

It is advisable to specify that, in the current state of the things, the external control which the judgement of the public accounts by the Room of the Accounts represents cannot be carried out. Indeed, if the existence of this organization is well registered in the texts, the decrees of application governing its operation were never taken. This situation, which perdure since many years, seems to testify to an obvious lack of will to set up a true external control of the budgetary execution. Besides it is advisable to add that the observations emitted by the Room about the goings beyond of budget allocation are not taken into account by the government.

This situation is all the more regrettable as the management accounts on parts of the State are addressed quarterly to the Room which could thus ensure the auditing quickly of it. The management accounts on figures and parts of the Administrative Publicly-owned establishments and the local communities are, on the other hand, often incomplete, of the supporting documents being often missing to the support of the mandates of payment.

With a theoretical manpower of 10, the Room of the Accounts has only 7 magistrates. Those obviously miss knowledge as well on the rules of the public accounts in general economy. It is advisable to specify that the report/ratio of the Room of the Accounts on the execution of the finance law, as well as the bill of annual payment, are very brief documents. They do nothing but take again the results of the exercise, without comment, neither on the execution itself of the finance law, nor on its macro-economic impact.

Despite everything these reserves, insofar as the bill of payment from now on is filed in on the desk of the Parliament for the session of autumn of the year n+1, this indicator can be noted with the letter B.

IV – public markets

Indicator 16: System effectiveness of making of the public markets

A reform in the field of the making of the public markets began in 1997 with a support from the World Bank and a new code of the markets was adopted in June 2003. ¹Following the review of the procedures of making of the markets, initiated in October 2001 and

¹Law 97/016/AN of June 3, 1997 bearing Code des Marches Publics of the Republic of Guinea

supplemented in the current of the year 2002, a matrix of measurements aiming at reinforcing the system of making of the markets was adopted. Within this framework a certain number of actions were carried out in 2003, in particular the launching of procedures of audit a posteriori, the implementation of a system of sanctions², the reinforcement of the conditions of eligibility of the tenderers at the public markets, the edition of the newspaper of the public markets.

delegation of approval of the markets was given to the governors of area and to the prefects until respectively 500 and 300 million francs guinéens with a raising of the thresholds which were 300 and 100 million. To accompany this devolution, of the regional heads of service of the markets were indicated, on the level of the 8 gouvernorats by redeployment of manpower of the national direction. The training of the regional and prefectoral speakers in the process of the markets, was carried out in January 2003.

However the expected effects of these reforms are far from ensuring the correct operation of the system of making of the markets. For the year the 2003 value of the tenders passed at the decentralized level is very weak. It rose to 4 billion franc guinéens, against 295 billion at the central level. It is obvious that in the field of the means the regional services will have to be reinforced. Generally it is necessary to reinforce the trainings and the sensitizing of the speakers in the process and to apply the sanctions if necessary. In addition, the national Management of the markets does not intervene in a systematic way in the commissions of reception of the markets.

Lastly, being absolutely necessary of the effective procedure of making of the markets, it seems, in order to avoid the opening to competition, of many invitations to tender are stated unfruitful. In the same way a great number of files profit from the procedure from the direct negociation and of many cases of parcelling out of projects were noted, with an aim of avoiding the procedure of the appeal to competition.

It is thus advisable to note that, if there is well a clear regulation on the mode of making of the public markets, this one knows many distorsions. This is why it is proposed to note this indicator with the letter B.

²Instruction 2002/00199/MEF of February 4, 2002

Section 2. Actions suggested

I Development of the budget

Indicator 1: Field of execution of the budget or the budgetary report/ratio

To lead to a real budgetary unit, it would be advisable that the annual finance law is prepared in a way concerted between the DNB and the DNDIP.

In order to allow the consolidation of budgetary information corresponding to the definition of the sector of the public administrations appearing in the Handbook of finance public Statistics, it is proposed to conceive a new budgetary and countable nomenclature local communities which is harmonized with that of the State.

Indicator 2: Extent of the expenditure financed by extrabudgétaires sources being the subject of unsatisfactory declarations

The exact appreciation of the nature and the amount of the funds extrabudgétaires which currently function is in hand, but it is not finalized yet. It is suggested completing it as soon as possible and reducing to the maximum the number of cases concerned, in order to include them in the annual finance law like in the budgetary reports/ratios consolidated, which, beyond a better knowledge of the volume of the sums in question, will make it possible to exert control on their use.

Indicator 3: Reliability of the budget like guides execution

The improvement of the reliability of the finance law as guides budgetary execution should pass initially by an improvement of the estimate of the stations of receipts, in particular most significant: the taxation of the goods and services and the taxes on the foreign trade. The rate of execution of the administrative expenditures would largely be some improved.

With regard to the capital expenditures, the improvement of their rate of realization will require staff training and publicity campaigns, in order to improve the capacity for absorption thanks to the improvement of their capacity of programming.

Indicator 4: Inclusion of the financing of the backers

Although this indicator is satisfied, it is suggested improving the process of programming, budgeting and is followed investments carried out on external financing. For this purpose, the role of the DNDIP should be clarified and it should be decided to entrust to this only direction the responsibility for the financial management of the external assistance. The procedures should be codified in order to improve the follow-up of the withdrawals, the progress reports of the projects and their financial execution. Finally the data base of the projects should be reconstituted.

Indicator 5: Classification

The budgetary nomenclature meets the conditions to satisfy this indicator. However, it would be advisable to make the part functional compatible with classification COFOG.

Indicator 6: Census of the expenditure of reduction of poverty

The budgetary headings which record expenditure of the fight against poverty are well identified. However they were not the subject yet of a special marking which would make it possible to carry out of them specific extractions of the information processing system in order to follow the operations concerned, as well in forecast qu`en realization. It is thus suggested carrying out this marking and defining a specific data-processing request which will make it possible to extract the corresponding sums from the information system devoted to the chain of the expenditure.

Indicator 7: Integration of the medium-term forecasts

There are several exercises of medium-term programming of the public expenditure: public investment plan, CDMT and DSRP. The bond between these various documents as with the annual budget of means is very thin. It would thus be advisable to carry out a work of synthesis of these various sources of forecasts and to integrate these elements in the development process of the annual budget.

As it had already been recommended in the preceding evaluation, he would also be advisable to train the personnel of the sectoral ministries implied in the development process of the CDMT.

II Implementation of the budget

Indicator 8: Sign problems in the implementation of the budget: arrears

The increase in the volume of the late interns and external is the direct consequence of a relaxation of the budgetary discipline and a bad cash management of the State. In order to leave this dead end, the government will have to undertake the following actions:

- to at least limit incompressible the recourse to the derogatory procedures of the expenditure (letters of payment).
- To set up a plan of treasury. Indeed, insofar as the room for manoeuvre of the financial authorities to manage the finance public is particularly narrow, it is very significant to follow the evolution of the treasury of the State and its incidence on the implementation of the budget, which, prerequisite impossible to circumvent, must have been elaborate in a realistic way. A plan of treasury should be established on a monthly, updated basis, and be monthly followed permanently by the committee of treasury. This plan of treasury, including the whole of the financial resources of the state, should make it possible to ensure a regular financing of the expenditure in the course of exercise and thus a reduction of the financial expenses. It should also make it possible to the directors to plan with effectiveness their expenditure, and insofar as it is prospective, to pre-empt the macro-economic evolution. To be effective, and to avoid the accumulation of the arrears, the use of this plan must be accompanied by a powerful control of the commitments to incur expenditure.

Indicator 9: System effectiveness of internal audit

The internal system of audit knew improvements during these recent years, but it is largely perfectible. It is suggested (i) maintaining the recommendation concerning the implementation of a general policy of control shared between the IGF and the DNCF, (ii) to continue the training activities in favour of the members of these two organizations, (iii) to reform the structures of the IGF while defining and by formalizing its attributions like by setting up a body of the tax inspectors and finally (iv) to improve the follow-up of the recommendations contained in the reports/ratios of internal audit.

Indicator 10: Investigations of follow-up

Apart from the commission of fight against corruption, it is not carried out any investigation of follow-up allowing the control of the effectivity of the expenditure. It is thus suggested with the government undertaking as soon as possible studies of physico-financial follow-up, while starting with the priority ministries.

Indicator 11: Quality of budgetary information: the bringing together of the budgetary and banking data

Insofar as this indicator is satisfied, no action is proposed.

III. Budgetary reports/ratios

Indicator 12: Regularity of the internal budgetary reports/ratios

Insofar as this indicator is satisfied, no action is proposed.

Indicator 13: The follow-up of the expenditure of reduction of poverty

The action which is suggested to satisfy this indicator consists to conceive and implement a simple data-processing request which would make it possible to draw up reports/ratios of budgetary execution classified according to functional classification.

Indicator 14: The recording of the transactions of end of financial year

To make it possible the government guinéen to fill this criterion, the first action would consist in reducing the duration of the period complementary to two months. It would be appropriate then as the date-stop fixed as well for the emission of the last commitments to incur expenditure as for that of the mandatements are respected. It is a question of an essential precondition to make it possible the DNT to record its transactions of end of exercise within the time limit. It should be noted that the reduction in a number and assembling expenditure carried out on the basis of letters of payment would be likely to largely facilitate the close of the financial years, being specified that the absence of regularization of some of this expenditure should set obstacle neither with the account closure nor to their sending for judgement with the Room of the Accounts.

Indicator 15: The punctuality of checked financial information

The action suggested to improve the situation within the framework of this indicator consists, for the ministry for finances, to produce the administrative account of the director and the management account of the accountant, supported bill of payment, for June 30 which follows the end of the exercise concerned. Thus, the Room of the Accounts of the Supreme Court will be able to have a sufficient time to inform these accounts and to establish the compliance

certificate before the presentation of the bill of payment at the Parliament at the beginning of the session of autumn.

It would also be advisable to take the decrees of application fixing attributions of the Room of the Accounts.

IV – public markets

Indicator 16: System effectiveness of making of the public markets

There is a clear regulation as regards making of the public markets. However the practice makes it possible to note that it is respected little. It would thus be advisable to carry out audits a posteriori files of markets and to apply the sanctions in the cases of nonrespect of the texts. Being the installation of the regional and departmental structures, of the training activities are necessary in order to allow to the local representatives direction public markets to make respect the texts.

Section 3. Technical aid

The World Bank has the project to set up a gift IDF with an aim of supporting the Committee of supply of the French National Assembly as well as the Room of the Accounts of the Supreme Court. These actions will require the intervention of national, regional and international consultants. The support at the Committee of supply will comprise four shutters. A first shutter will relate to the improvement of the capacities for a better financial supervision. A second will refer to the information of the public. A third will try to reinforce the capacity of research. A fourth will relate to the improvement of the access to information as well as the knowledge management. The support with the Room of the Accounts will relate to the drafting of the texts governing the organization and the procedures of the Room, the definition of the tasks of the personnel, the drafting of handbooks of procedures, the establishment of a methodology of analysis and vote of the law of payment, as well as the development of a methodology of the quality control of the management of the public expenditure.

France currently intervenes within the framework of a project of Support to the economic and financial administrations which includes/understands a component "formation" and a component "reinforcement of the performances of the economic and financial institutions".

The component "formation" constitutes the financial part most significant of the project. The other component is centered on the support with the control of the expenditure and on the support with the improvement of the receipts. Three directions of the MEF profit from this project: the National Management of the Taxes, the National Management of the Customs and the DNCF. These three directions profit already from the support of a technical assistant. The technical assistant in charge of the formation is in the course of recruitment.

Being Germany, the GTZ did not carry out actions directly within the MEF. Cependant, it provided a technical aid to the evaluation of the implementation of the strategy of reduction of poverty. Within this framework, it carried out the training of 46 national experts as regards evaluation. A first basic course targeted towards the needs with semi-course for the Strategy for Reduction for Poverty (SRP), took place in September 2003. A second course took place in February 2004. A third was programmed for March 2004. The objective of this action consists in mitigating the significant deficit which exists as regards physical audit of the public expenditure, by the installation of team mixed made up as well of personnel of the public office of independent frameworks. For this purpose, it was proposed that is positioned near primature a committee of follow-up of the evaluation.

The department of the American treasure placed at the disposal of the government a technical aid in order to improve the procedure processing and of budgetary execution. This one must intervene initially for the duration of the year 2004.

Lastly, the European Union supported and financed the audits of the principal directions of the ministry for the economy and finances. Action plans for these directions were elaborate and a final report was submitted in December 2003.